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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

VF 5-7-04

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER

8- 43632

## FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Citation Financial Group, L.P.	<b>OFFICIAL USE ONLY:</b>  FIRM I.D. NO.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  120 Broadway - 17th Floor  New York NY 10036 (City) (State) (Zip Code)	

RECD S.E.C.  
MAY 04 2004  
538 0271

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Richard Petri 212-618-0962  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Pricewaterhouse Coopers, LLP.

(Name - if individual, state last, first, middle name)

1177 Avenue of the Americas New York, NY 10036  
(Address) (City) (State) (Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAY 13 2004

THOMSON  
FINANCIAL

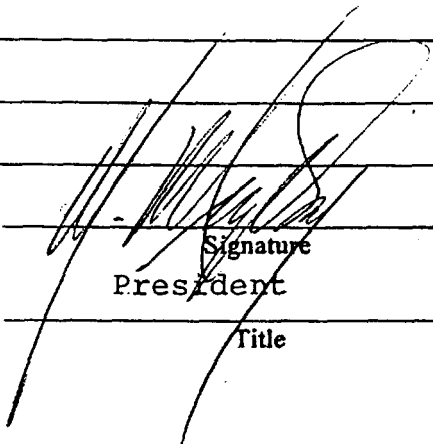
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Richard J. Murphy, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Citation Financial Group, L.P., as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

KATHLEEN MILORA  
Notary Public, State of New York  
No. 01MI4907666  
Qualified in Richmond County  
Commission Expires October 13, 2005

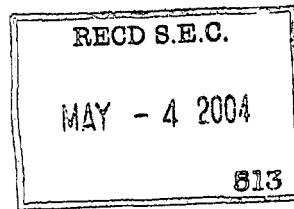
  
Signature  
President  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



# **Citation Financial Group, L.P.**

**Statement of Financial Condition  
December 31, 2003**

**Citation Financial Group, L.P.**

**Index**

**December 31, 2003**

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**Report of Independent Auditors**

To the Partners of Citation  
Financial Group, L.P.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Citation Financial Group, L.P. (the "Company") at December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

February 20, 2004

**Citation Financial Group, L.P.**  
**Statement of Financial Condition**  
**December 31, 2003**

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**Assets**

Cash	\$ 73,967
Deposit with clearing broker	252,357
Receivable from clearing broker	109,429
Prepaid expenses and other assets	22,883
Total assets	<u>\$ 458,636</u>

**Liabilities and Partners' Capital**

**Liabilities**

Accrued expenses and other liabilities	\$ 15,341
Floor brokerage payable	4,638
Employee compensation payable	19,782
Total liabilities	<u>39,761</u>

Partners' capital	<u>418,875</u>
Total liabilities and partners' capital	<u>\$ 458,636</u>

The accompanying notes are an integral part of this financial statement.

**Citation Financial Group, L.P.**  
**Notes to Statement of Financial Condition**  
**December 31, 2003**

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**1. Organization and Significant Accounting Policies**

Citation Financial Group, L.P. (the "Company") is a partnership formed pursuant to the laws of the State of Delaware. The Company is a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers Inc. (the "NASD"). The Company deals primarily in equity securities.

The Company records transactions in securities and commission revenues and related expenses on a trade date basis. The Company clears its transactions through another broker-dealer on a fully disclosed basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Deposit with Clearing Broker and Receivable from Clearing Broker**

The Company's securities transactions are cleared by one broker and the Company maintains a security deposit with this broker.

**3. Regulatory Requirements**

As a registered broker-dealer and member of the NASD, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires the maintenance of minimum net capital of 6-2/3% of aggregate indebtedness, as defined, or \$5,000, whichever is greater. At December 31, 2003, the Company had net capital of \$390,945, which exceeded the minimum requirement by \$385,945.

The Company is exempt from the provisions of Rule 15c3-3 of the Securities and Exchange Commission since the Company's activities are limited to those set forth in the conditions for exemption from Rule 15c3-3 pursuant to subsection (k)(2)(ii) of that Rule.

**4. Income Taxes**

As a partnership, the Company is not subject to federal and state income taxes. The Company is subject to New York City unincorporated business tax.

**5. Estimated Fair Value of Financial Instruments**

Management estimates that the aggregate net fair value of financial instruments recognized in the Statement of Financial Condition approximates their carrying value, as such financial instruments are either recorded at market value, short term in nature or bear interest at current market rates.

**Citation Financial Group, L.P.**  
**Notes to Statement of Financial Condition**  
**December 31, 2003**

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**6. Financial Instruments with Off Balance Sheet Risk**

The Company may be exposed to off balance sheet risk in the event the customer or counterparty is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument.

The Company clears all of its securities transactions through a clearing broker on a fully disclosed basis. Pursuant to the terms of the agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations.

As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At December 31, 2003, the Company has recorded no liabilities with regard to the right.

In addition, the Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations. The Company monitors the credit standing of the clearing broker and all counterparties with which it conducts business.

**7. Related Party Transactions**

An affiliate provides various services to the Company, including the use of office space, payroll service and telecommunications equipment. In addition, the Company participates in an affiliate's benefit plans. The Company made no contributions to the 401(k) profit-sharing plan for the year ended December 31, 2003.